

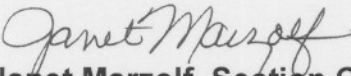
**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF FINANCIAL ASSISTANCE****Asset Management & Compliance Section**

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**ASSET MANAGEMENT & COMPLIANCE SECTION
AMC****MANAGEMENT MEMO
Memorandum Number: 06-01**

DATE: July 20, 2006

TO: RHCP-BOND, FHDP, CHRP-R and SUHRP Borrowers and Management Agents

FROM: 
Janet Marzolf, Section Chief
Asset Management and Compliance Section

SUBJECT: Consumer Price Index (CPI) Factor for Rent Increase Calculation for 2007

The purpose of this notice is to inform borrowers and management agents that the Consumer Price Index factor (All Urban Consumers, West Urban, Rent of Primary Residence) to be used in the formula for calculating increases in project rents for fiscal years beginning in 2007 is 3.8 percent. This figure is based upon data from the U.S. Department of Labor, Bureau of Labor Statistics.

Program regulations require that borrowers submit proposed budgets and rent increase requests at least 60 days prior to the end of the current fiscal year. The purpose of this is to allow enough time for Department review and approval of the budget and for borrowers/management agents to send each resident the written notice of any Department approved rent increase as required by State law. If you wish to request an increase in project rents that exceeds the CPI formula increase please discuss it with your Asset Management Representative as early as possible to confirm that it will meet regulatory requirements.

Please note that this CPI factor is used for all RHCP-BOND, FHDP and CHRP-R rent increase calculations, and for only those SUHRP projects that call for its use in the project's regulatory agreement. If you have a SUHRP-funded project, please check your SUHRP regulatory agreement to determine if you are to use this factor for your rent increase calculation.

When submitting your annual budgets and rent increase requests, please use the forms on the Department's website at: <http://www.hcd.ca.gov/fa/amc>

If you have any questions regarding the 2007 CPI rate or the electronic budget forms, please contact your Asset Management Representative. If you need assistance in identifying your Asset Management Representative, please call (916) 327-3712.